Office for National Statistics

Statistical bulletin

Public sector finances, UK: March 2015

How the relationship between UK public sector monthly income and expenditure leads to changes in deficit and debt.

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1 . Main points

- This is the first provisional estimate of the complete financial year ending 2015; these are not final figures and may be revised as provisional data are replaced with finalised and audited data

- In the financial year ending 2015, public sector net borrowing excluding public sector banks (PSNB ex) was £87.3 billion; a decrease of £11.1 billion compared with the same period in the financial year ending 2014

- In March 2015, PSNB ex was £7.4 billion; a decrease of £0.4 billion compared with March 2014

- Due to the volatility of the monthly data, the cumulative financial year-to-date borrowing figures provide a better indication of the progress of the public finances than the individual months

- For the financial year ending 2015, the central government net cash requirement (CGNCR) was £93.6 billion; an increase of £15.1 billion compared with the financial year ending 2014

- Cash transfers from the Asset Purchase Facility were £20.4 billion lower in the financial year ending 2015 than the financial year ending 2014. Without the impact of these transfers, CGNCR was £5.2 billion lower in the financial year ending 2015 than the financial year ending 2014

- At the end of March 2015, public sector net debt excluding public sector banks (PSND ex) was £1,484.3 billion (80.4% of GDP); an increase of £82.2 billion compared with March 2014

- At the end of March 2015, General Government Gross Debt (Maastricht debt) was £1,598.5 billion (86.6% of GDP) and General Government Net Borrowing (Maastricht deficit) in the calendar year 2014 was £102.4 billion (5.7% of GDP)

2 . Contents

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   Compares the latest available data with Office for Budget Responsibility forecasts for borrowing and debt.

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   Shows how the public sector net borrowing position is made up of central government, local government and public corporations net borrowing.

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3 . Understanding this release

This statistical bulletin provides important information on the United Kingdom (UK) government financial position. It enables government, the public, economists and financial analysts to monitor public sector expenditure, receipts, investments, borrowing and debt. By comparing these data with forecasts from The Office for Budget Responsibility (OBR) the current UK fiscal position can be evaluated.

The following guidance documents aim to help users gain a detailed understanding of the public sector finances: Monthly statistics on Public Sector Finances: a methodological guide (360.3 Kb Pdf) ; Developments to Public Sector Finances Statistics (255.2 Kb Pdf) and Quality and Methodology Information (201.4 Kb Pdf) . However, the following table and diagram should provide users with the main terms needed to understand these data and how the statistics relate to each other.

Definition Table: the main terms needed to understand the data

Term	Description
Accruals /accrued recording	Financial recording based on when ownership transfers or the service is provided (sometimes different to when cash is paid)
Asset Purchase Facility Fund (APF)	An arm of The Bank of England able to purchase financial assets including government securities (gilts). The APF has earnt interest which is periodically transferred back to central government. These payments are public sector borrowing neutral
Cash recording	Financial recording based on when cash is paid or received. Net cash requirement is recorded on a cash basis and net debt is close to being a cash measure
Current budget deficit	The gap between current expenditure and current receipts (having taken account of depreciation)
Current expenditure	Spending on government activities including: social benefits, interest payments, and other government department spending (excluding spending on capital assets)
Current receipts	Income mainly from taxes (e.g. VAT, income and corporation taxes) but also includes interest, dividend and rent income
ESA 1995	European System of Accounts 1995 that was the European legal requirement for the production of National Accounts prior to September 2014
ESA 2010	European System of Accounts 2010 that is the European legal requirement for the production of National Accounts from September 2014
Maastricht deficit	General government net borrowing as defined within the Maastricht Treaty and Stability and Growth Pact (and as supplied to Eurostat)
Maastricht debt	General government gross debt as defined within the Maastricht Treaty and Stability and Growth Pact (and as supplied to Eurostat)
Net borrowing	Measures the gap between revenue raised (current receipts) and total spending (current expenditure plus net investment). A positive value indicates borrowing while a negative value indicates a surplus
Net cash requirement	Is a measure of how much cash the government needs to borrow (or lend) to balance its accounts (see cash recording)
Net debt	Is a measure of how much the government owes at a point in time
Net investment	Spending on capital assets, e.g. infrastructure projects, property and I.T equipment, both as grants and by public sector bodies themselves minus capital receipts (sale of capital assets)

Diagram 1 illustrates how debt between periods changes as a result of transaction flows (for example expenditure and receipts) on an accrued and cash basis. The transaction flows are provided for the financial year ending 2015. The headline measures of current budget deficit, net borrowing, net cash requirement and net debt are highlighted in the diagram as they provide the key indicators for the performance of the UK public finances. Where possible, reference has been made to the tables attached to the end of this bulletin.

When public sector current expenditure is greater than current receipts (income), the public sector runs a current budget deficit. The sum of net investment (spending on capital less capital receipts) and the current budget deficit constitute net borrowing. The diagram shows how net borrowing relates to the change in net debt.

The net cash requirement is closely related to net debt (the amount owed), which is mainly a cash measure. It is important because it represents the cash needed to be raised from the financial markets. Changes in net debt between 2 points in time are normally similar to the net cash requirement for the intervening period. The relationship is not an exact one because the net cash requirement reflects actual prices paid while the net debt is at nominal prices For instance, gilts are recorded in net debt at their redemption (or face) value, but they are often issued at a different price due to premia or discounts being applied. The net cash requirement will reflect the actual issuance and redemption prices, but net debt only ever records the face (or nominal) value.

Diagram 1: Net Borrowing and Net Debt Transactions (excluding public sector banks (£ billion),for the financial year ending 2015

Chart unavailable

Notes

1. Cash transactions in (non-financing) financial assets which do not impact on net borrowing
2. Timing differences between cash and accrued data
3. Revaluation of foreign currency debt (for example foreign currency). Debt issuances or redemptions above /below debt valuation (for example Bond premia/discounts and capital uplifts). Changes in volume of debt not due to transactions (for example Sector reclassification)

We value your feedback

The public sector finances can be complex. To ensure these important statistics are accessible to all, we welcome your feedback on how best to explain concepts and trends in data. Please contact us at: psa@ons.gsi.gov.uk

4 . Summary of latest net debt and net borrowing

This release presents the first estimate of March 2015 public sector finances and the financial year ending 2015 and updates previous financial years' data.

Public sector finance data are available on a monthly basis, but due to the volatility of the monthly time series, it is often more informative to look at the financial year-to-date or complete financial year data in order to discern underlying patterns. Estimates are revised over time as additional data becomes available.

Table 1 compares the latest month and cumulative totals for the financial year-to-date with the equivalent period in the previous year. Time series for each component are available in Table PSA1.

Table 1: Headline Public Sector Finances data, by month and full financial year

United Kingdom excluding public sector banks

£ billion[1] (not seasonally adjusted)

	March			Financial year-to-date		
	2015	2014	Difference	2015/16	2014/15	Difference
Current Budget Deficit[2]	1.2	2.7	-1.6	56.9	71.1	-14.2
Net Investment[3]	6.2	5.1	1.1	30.4	27.4	3.0
Net Borrowing[4]	7.4	7.8	-0.4	87.3	98.5	-11.1
Net Debt[5]	1484.3	1402.1	82.2	1484.3	1402.1	82.2
Net Debt as a % of annual GDP[6]	80.4	79.1	1.3	80.4	79.1	1.3

Source: Office for National Statistics

Notes:

1. Unless otherwise stated

2. Current Budget Deficit is the difference between current expenditure (including depreciation) and current receipts

3. Net Investment is gross investment (net capital formation plus net capital transfers) less depreciation

4. Net Borrowing is Current Budget Deficit plus Net Investment

5. Net Debt is financial liabilities (for loans, deposits, currency and debt securities) less liquid assets

6. GDP = Gross Domestic Product (at current market price)

7. 2015/16 refers to financial year ending in March 2016 and 2014/15 refers to financial year ending in March 2015

Net Borrowing For March 2015

In March 2015, public sector net borrowing excluding public sector banks (PSNB ex) was £7.4 billion; a decrease of £0.4 billion, or 5.6% compared with March 2014.

This decrease in net borrowing was largely a result of a decrease of £2.1 billion in central government net borrowing, being partially offset by an increase of £1.9 billion in local government net borrowing.

Central government receipts in March 2015 were £52.9 billion, an increase of £1.5 billion, or 3.0% compared with March 2014. Of this:

- income-tax-related payments increased by £0.7 billion, or 4.9%, to £15.5 billion
- corporation tax increased by £0.4 billion, or 28.6%, to £1.9 billion
- Social (national insurance) contributions increased by £0.2 billion, or 2.1%, to £11.4 billion
- VAT receipts increased by £0.1 billion, or 0.8%, to £10.3 billion
- Stamp duties (on shares, land and property) decreased by £0.1 billion, or 7.3%, to £1.0 billion

Central government expenditure (current and capital) in March 2015 was £58.7 billion, a decrease of £0.6 billion, or 1.0%, compared with March 2014. Of this:

- central government net investment (capital expenditure) increased by £1.0 billion, or 19.3%, to £6.4 billion, largely due to an increase in capital transfers to the private sector
- net social benefits (mainly pension payments) increased by £0.6 billion, or 3.8%, to £16.6 billion mainly as a result of increases in state pension payments (within National Insurance Fund benefits) and social assistance
- other current expenditure (mainly departmental spending) decreased by £0.6 billion, or 1.8%, to £34.6 billion; helped by a £1.5 billion decrease in current transfers to local government
- debt interest decreased by £1.6 billion, or 61.8%, to £1.0 billion. Of this £1.0 billion, £1.2 billion is the interest paid to the Asset Purchase Facility Fund (APF) on it's gilt holdings (see table PSA9) which are PSNB ex neutral. March's debt interest figure is discussed in further detail below

In March 2015, local government net borrowing (LGNB) was estimated at £1.6 billion, an increase of £0.9 billion on the previous year. This increase in LGNB is largely attributable to a £1.5 billion decrease in current transfers from central to local government and so is offset at a public sector level.

In March 2015, public corporations' net borrowing was estimated to be in surplus by £0.4 billion, an increase in surplus of £0.2 billion on the previous year.

Debt interest

In March 2015, the debt interest payable by central government was £1.0 billion. Though March is traditionally a low month for debt interest payable, March 2015 was exceptionally low.

This is largely as a result of a drop in the Retail Price Index (RPI) from December 2014 to January 2015, reducing the estimated redemption value of index gilts in issue, and consequently the debt interest payable, by £2.3 billion.

To explain this; the accrued debt interest payable on gilts consists of 3 components:

- interest paid periodically (normally every 6 months as coupon payments) to holders of gilts
- premia (or discounts) paid at issuance by purchasers of gilts
- RPI uplift on index-linked gilts paid to holders of gilts at redemption

In cash terms the interest paid varies considerably from month to month (and is an important driver of monthly CGNCR) but the accrued interest payable is averaged over the lifetime of a gilt

For the financial year ending 2015, the monthly interest payable on gilt coupons and premia/discounts have been between £3.0 and £3.2 billion. Most of the variance in monthly interest payable is therefore due to the effects of RPI (as recorded 3 or 8 months previous) on the capital uplift of index-linked gilts. In most months RPI rises which increases the interest payable but in March 2015 the reference RPI (between December 2014 and January 2015) recorded a significant fall which has resulted in a decrease in the March 2015 interest payable of £2.3 billion.

For more information on the methodology see the PSF methodological guide (360.3 Kb Pdf) .

Net borrowing for the financial year ending 2015

In the financial year ending 2015, public sector net borrowing excluding banking groups (PSNB ex) was £87.3 billion; a decrease of £11.1 billion, or 11.3% compared with the financial year ending 2014.

This decrease in net borrowing was predominantly a result of a decrease of £14.2 billion in central government net borrowing.

In the financial year ending 2015, Bank of England (BoE) net borrowing was £1.3 billion lower than in than in the same period in the financial year ending 2014, almost entirely due to Asset Purchase Facility (APF) transfers to central government. The combined net borrowing of central government and the BoE was £15.5 billion lower than in the financial year ending 2014.

Central government receipts (excluding the APF transfers) for the the financial year ending 2015 were £602.7 billion, an increase of £22.5 billion, or 3.9%, compared with the same period in the financial year ending 2014. Of this:

- income-tax-related payments increased by £8.1 billion, or 5.0%, to £169.7 billion
- VAT receipts increased by £4.9 billion, or 4.1%, to £125.1 billion
- corporation tax increased by £3.0 billion, or 7.6%, to £42.3 billion
- Social (national insurance) contributions increased by £2.1 billion, or 2.0%, to £109.5 billion
- stamp duties (on shares, land & property) increased by £1.3 billion, or 10.4%, to £13.8 billion

Where making revenue comparisons with the financial year ending 2014, it should be noted that it was likely income tax payments were affected by some firms delaying employee bonuses (from the end of the financial year ending 2013 until the financial year ending 2014) to take advantage of tax rate changes.

Central government expenditure (current and capital) for the the financial year ending 2015 was £685.1 billion, an increase of £6.6 billion, or 1.0%, higher than the financial year ending 2014. Of which:

- net social benefits (mainly pension payments) increased by £5.4 billion, or 2.7%, to £201.7 billion, mainly as a result of increases in state pension payments (within National Insurance Fund benefits) and public sector pension payments
- central government net investment (capital expenditure) increased by £2.7 billion, or 7.9%, to £36.6 billion, largely due to increase in gross capital formation and transfers
- other current expenditure (mainly departmental spending) increased by £1.1 billion, or 0.3%, to £400.7 billion, mainly as a result of increases in departmental spending on goods & services which were partially offset by decreases in transfers to local government and current grants
- debt interest decreased by £2.6 billion, or 5.3%, to £46.1 billion. Of this £46.1 billion, £14.3 billion is the interest payable to the Bank of England Asset Purchase Facility on its gilt holdings (see table PSA9) which are PSNB ex neutral

Local government net borrowing for the financial year ending 2015 was estimated at £3.2 billion, an increase of £4.7 billion compared with the financial year ending 2014.

Public corporations' net borrowing for the financial year ending 2015 was estimated to be in surplus by £3.1 billion, an increase in surplus of £0.4 billion compared with the financial year ending 2014.

Public sector net debt

Public sector net debt excluding public sector banks (PSND ex) was £1,484.3 billion (80.4% GDP) at the end of March 2015, £82.2 billion, or 5.9% higher than in March 2014. This increase was a result of:

- £87.3 billion of public sector net borrowing
- less £1.4 billion in timing differences between cash flows for gilt interest payments and the accrued gilt interest flows
- less £3.8 billion in net cash transactions related to acquisition or disposal of financial assets of equivalent value (e.g. loans) and timing of recording

5 . Net debt and borrowing compared with OBR forecast

The Office for Budget Responsibility (OBR) produces forecasts of the public finances twice a year (normally in March and December). The latest OBR forecast was published on 18 March 2015.

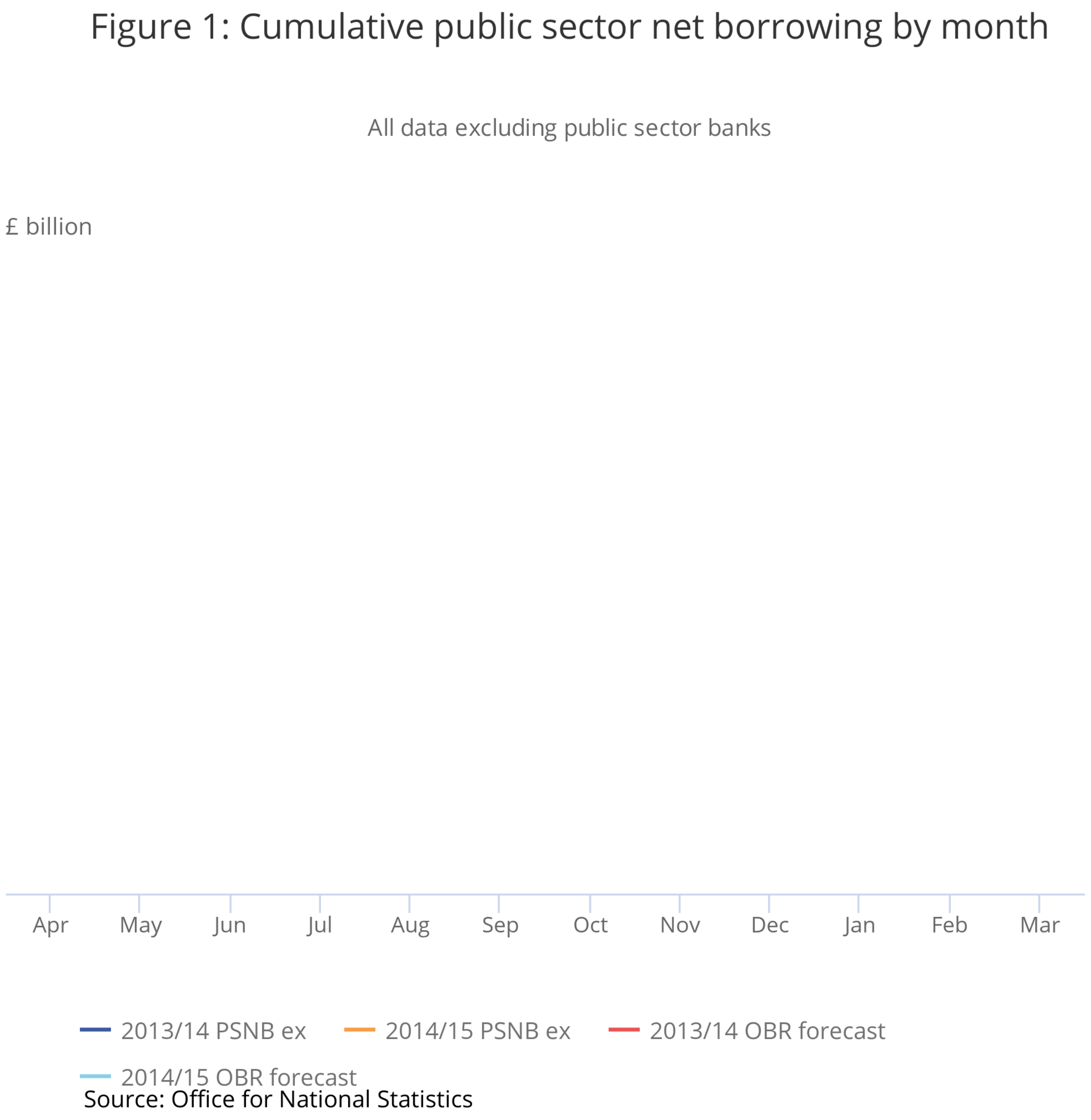
Figure 1 and Table 2 enable users to compare emerging data against the OBR forecasts. Caution should be taken when comparing public finance data with OBR figures for the full financial year, as data are not finalised until after the financial year end. Initial estimates soon after the end of the financial year can be subject to sizeable revisions in later months. In addition, in-year timing effects on spending and receipts can affect year-to-date comparisons with previous years.

Figure 1 illustrates that the public sector net borrowing excluding public sector banks (PSNB ex) for the financial year ending 2015 is broadly in line with the equivalent period in the financial year ending 2014 for the first seven months, however, in the final five months of the financial year there is a marked divergence in the monthly paths. The graph illustrates that in the financial year ending 2015, PSNB ex was £11.1 billion lower in the financial year ending 2014.

The OBR forecast for the financial year ending 2015 is £90.2 billion which is £2.9 billion above the outturn in financial year ending 2015 presented in this bulletin.

Figure 1: Cumulative public sector net borrowing by month

All data excluding public sector banks



Source: Office for National Statistics

Notes:

1. OBR illustrative forecast for PSNB ex from March 2015 Economic & Fiscal Outlook (EFO)

Table 2 summarises the difference between the latest provisional outturn data for the financial year 2014/15 with the OBR forecast for 2014/5 (as published in March 2015).

Table 2: Public Sector Latest Outturn Estimates vs Office for Budget Responsibility (OBR) Forecasts

United Kingdom excluding public sector banks

	Full financial year April-March		
	2014/15	2014/15 OBR Forecast[6]	Increase/ Decrease %
Current Budget Deficit ex[2]	56.9	59.8	-4.8
Net Investment[3]	30.4	30.4	0.0
Net Borrowing[4]	87.3	90.2	-3.2
Net Debt[5]	1484.3	1479.0	0.4
Net Debt as a % of GDP	80.4	80.4	0.0

Source: Office for National Statistics

Notes:

1. Unless otherwise stated

2. Current Budget Deficit is the difference between current expenditure (including depreciation) and current receipts

3. Net Investment is gross investment (net capital formation plus net capital transfers) less depreciation

4. Net Borrowing is Current Budget Deficit plus Net Investment

5. Net Debt is financial liabilities (for loans, deposits, currency and debt securities) less liquid assets

6. All OBR figures are from the OBR Economic and Fiscal Outlook published on 18 March 2015

7. Full financial year ending 2015 (April 2014 to March 2015) and full financial year ending 2016 (April 2015 to March 2016)

On the same day as this bulletin is released, the OBR publishes a commentary on the latest figures and how these reflect on its forecasts. The OBR provides this commentary to help users interpret the differences between the latest outturn data and the OBR forecasts by providing contextual information about assumptions made during the OBR's forecasting process.

6 . Public sector and sub-sector net borrowing

Public sector net borrowing excluding public sector banks (PSNB ex) in 2014/15 was £87.3 billion, or 4.8% of GDP. Similarly, general government net borrowing (GGNB) in 2014/15 was £92.2 billion, or 5.1% of GDP.

Time series of PSNB ex as a % of GDP can be found in table PSA5a.

Time series of GGNB as a % of GDP can be found in a separate ONS release on Government Deficit and Debt as reported for the EU Excessive Deficit Procedure

It should be noted that This publication presents a number of public sector fiscal statistics as ratios of the UK Gross Domestic Product (GDP).

At this point in time, the provisional full financial year outturn for net borrowing are available but only three of the four quarterly GDP estimates are published. Until GDP for Quarter 1 2015 is published in the quarterly national accounts on 30 June 2015, an estimate of GDP based on published Office for Budget Responsibility (OBR) data will be used. Aggregates as a percentage of GDP should therefore be treated with caution until the Quarter 1, Quarterly National Accounts estimate of GDP is incorporated into the July 2015 PSF publication.

An article, The use of GDP in fiscal ratio statistics (70.8 Kb Pdf) , explaining the procedure for deriving GDP forecasts for periods when National Accounts outturn GDP is available on the ONS website.

Diagram 2 presents public sector net borrowing by sector.

Diagram 2: Sub-sector split of PSNB excluding public sector banks (£ billion) for the financial year ending 2015

Sub-sector totals are added in calculating public sector net borrowing and current budget deficit.

Chart unavailable

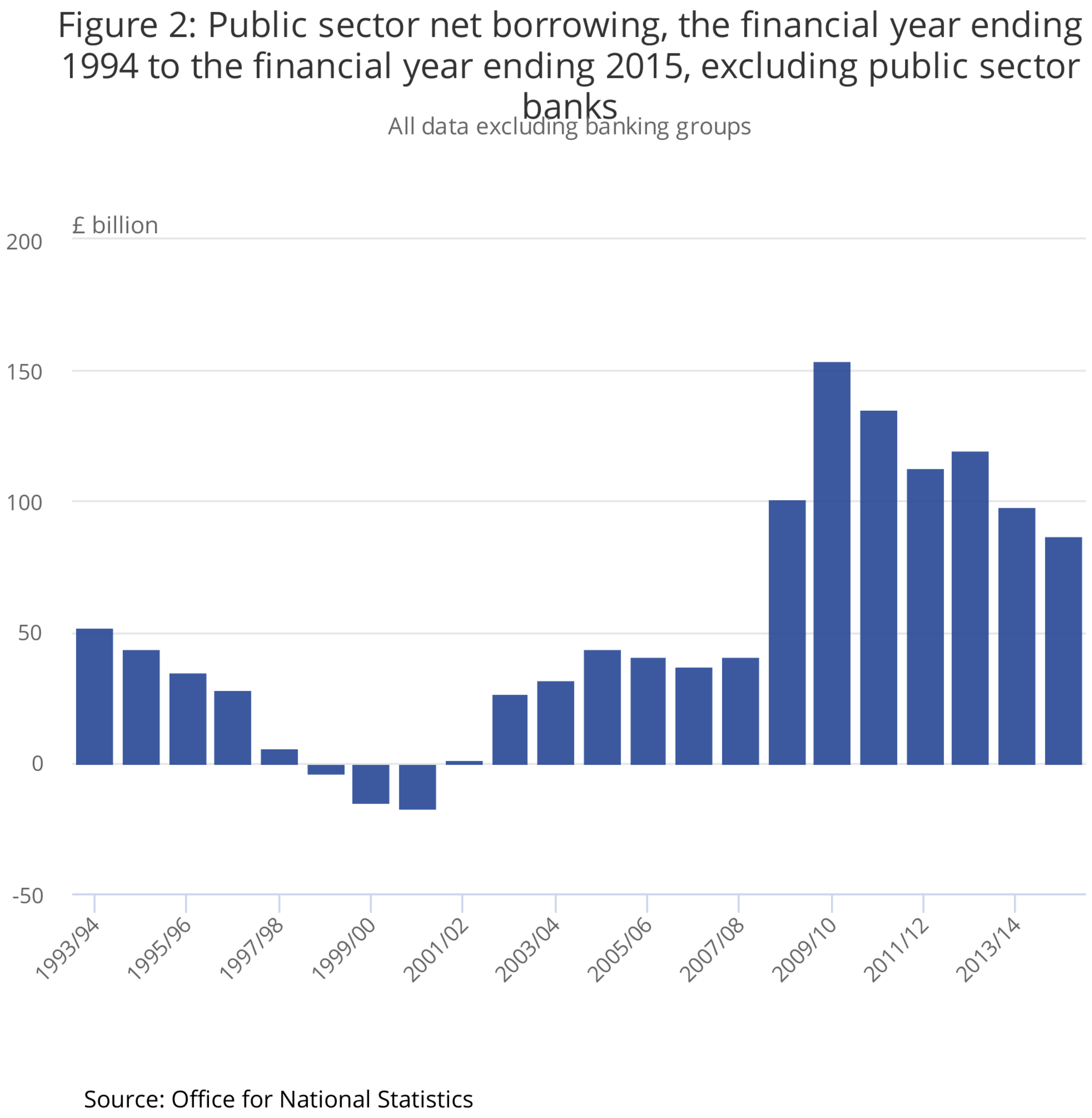
Notes

1. APF - Bank of England Asset Purchase Facility
2. SLS - Special Liquidity Scheme

Figure 2 illustrates public sector net borrowing excluding public sector banks (PSNB ex) for the last 22 financial years and highlights that between the financial year ending 1999 and the financial year ending 2001 borrowing was in surplus, i.e. the public sector was a net lender.

Figure 2: Public sector net borrowing, the financial year ending 1994 to the financial year ending 2015, excluding public sector banks

All data excluding banking groups



Source: Office for National Statistics

PSNB ex peaked in in the financial year ending 2010 as the effects of the economic downturn impacted on the public finances (reducing tax receipts while expenditure continued to increase). PSNB ex has reduced since then, although remained higher than before the financial year ending 2008 and the 2007 global financial market shock. PSNB ex in the financial year ending 2013 was higher than PSNB ex in the financial year ending 2012. One of the reasons behind this was the recording in April 2012 of an £8.9 billion payable capital grant in recognition that the liabilities transferred from the Royal Mail Pension Plan exceeded the assets transferred.

In the UK, the public sector consists of five sub-sectors: central government, local government, public non-financial corporations, Bank of England and public financial corporations (i.e. public sector banks). Table 3 summarises the current monthly and year-to-date borrowing position of each of these sub-sectors along with the public sector aggregates. Full time series for these data can be found in Table PSA2.

Table 3: Sub-sector Breakdown of Public Sector Net Borrowing

United Kingdom

£ billion (not seasonally adjusted)

	March			Full financial year		
	2015	2014	Difference	2014 /15	2013 /14	Difference
General Government	8.8	9.0	-0.2	92.2	101.6	-9.4
of which						
Central Government	7.2	9.3	-2.1	89.0	103.1	-14.2
Local Government	1.6	-0.3	1.9	3.2	-1.5	4.7
Public Non-Financial Corporations	-0.4	-0.1	-0.2	-3.1	-2.7	-0.4
Bank of England	-1.0	-1.0	0.0	-1.7	-0.5	-1.3
Public Sector ex (PSNB ex)	7.4	7.8	-0.4	87.3	98.5	-11.1
Public Financial Corporations	-0.7	-0.7	0.0	-7.8	-8.8	1.0
Public Sector (PSNB)	6.7	7.2	-0.4	79.5	89.6	-10.1

Source: Office for National Statistics

7 . Net cash requirement

Diagram 3 presents public sector cash requirement by sub-sector.

Diagram 3: Sub-sector split of PSNCR excluding public sector banks (£ billion) for the financial year ending 2015

Chart unavailable

Notes

1. APF - Bank of England Asset Purchase Facility
2. SLS - Special Liquidity Scheme

The public sector net cash requirement excluding public sector banks (PSNCR ex) follows a similar trend to that of public sector net borrowing: peaking in the financial year ending 2010 and reducing in each of the following years. PSNCR varies from month to month because of the timing of cash transactions.

Public sector net cash requirement excluding public sector banks (PSNCR ex) was £21.3 billion in March 2015; £3.8 billion, or 21.5% higher than in March 2014.

A time series for PSNCR ex is included in Table PSA7A.

The central government net cash requirement (CGNCR) is a focus for some users, as it provides an indication of how many gilts (government bonds) the Debt Management Office may issue to meet the government’s borrowing requirements.

CGNCR was £22.0 billion in March 2015, £2.5 billion, or 12.8% higher than in March 2014.

In the the financial year ending 2015, CGNCR was £15.1 billion higher than the financial year ending 2014. This was impacted by transfers from the APF which reduced CGNCR. In the financial year ending 2014, £31.1 billion was transferred from the APF to central government. By contrast, only £10.7 billion was transferred in the financial year ending 2015.

In the financial year ending 2015 the following events reduced the CGNCR:

- the transfers between the APF and central government
- the sale of shares in Lloyds Banking Group

In the financial year ending 2014 the following events reduced the CGNCR:

- the transfers between the APF and central government
- the sale of shares in Lloyds Banking Group and Royal Mail

In the financial year ending 2013 the following events reduced the CGNCR:

- the Royal Mail Pension Plan transfer and subsequent sale of assets
- the transfer of the Special Liquidity Scheme final profits
- the 4G Spectrum sale
- the transfers between the APF and central government

Although the central government net cash requirement is the largest part of the public sector net cash requirement excluding public sector banks (PSNCR ex), the total public sector net cash requirement (PSNCR) can be very different. The reason is that the PSNCR includes the net cash requirement of the public sector banking groups. In recent years, the public sector banking groups have recorded large cash surpluses which have had a substantial impact on the public sector net cash requirement.

8 . Public sector net debt

Diagram 4 presents public sector debt by sector.

Diagram 4: Sub-sector split of PSND excluding public sector banks at March 2015 (£ billion)

Cross holdings between sub-sectors are removed in calculating public sector net debt, gross debt and liquid assets.

Chart unavailable

Notes

1. PC Corporations' debt (consolidated) = non-financial PC gross debt (EYYD) + Less CG/NFPCs' gross debt (KSC8) + Less LG/NFPCs' cross holdings of debt (KSC9)
2. APF - Bank of England Asset Purchase Facility
3. SLS - Special Liquidity Scheme

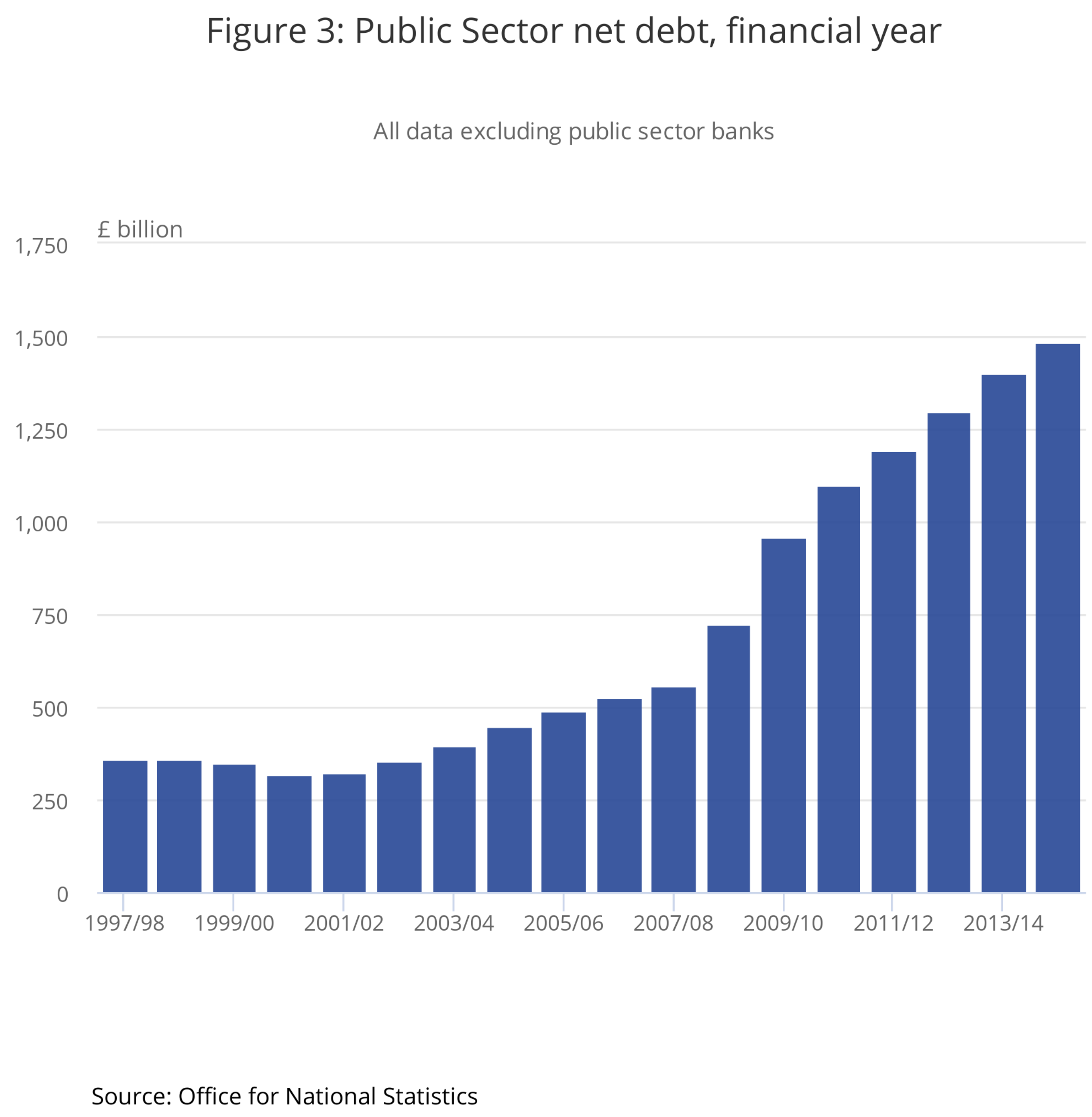
Figure 3 illustrates public sector net debt excluding banking groups (PSND ex) between the financial year ending 1998 and the financial year ending 2015. PSND ex represents the amount of money the public sector owes to UK private sector organisations and overseas institutions, largely as a result of government liabilities on the bonds (gilts) and Treasury bills it has issued.

The increases in debt between the financial year ending 2009 and the financial year ending 2011 were larger than in the early part of the decade as the economic downturn meant public sector net borrowing excluding public sector banks (PSNB ex) increased. Since then it has continued to increase but at a slower rate.

At the end of March 2015, public sector net debt excluding public sector banks (PSND ex) was £1,484.3 billion (80.4% of GDP); an increase of £82.2 billion compared with March 2014.

Figure 3: Public Sector net debt, financial year

All data excluding public sector banks



Source: Office for National Statistics

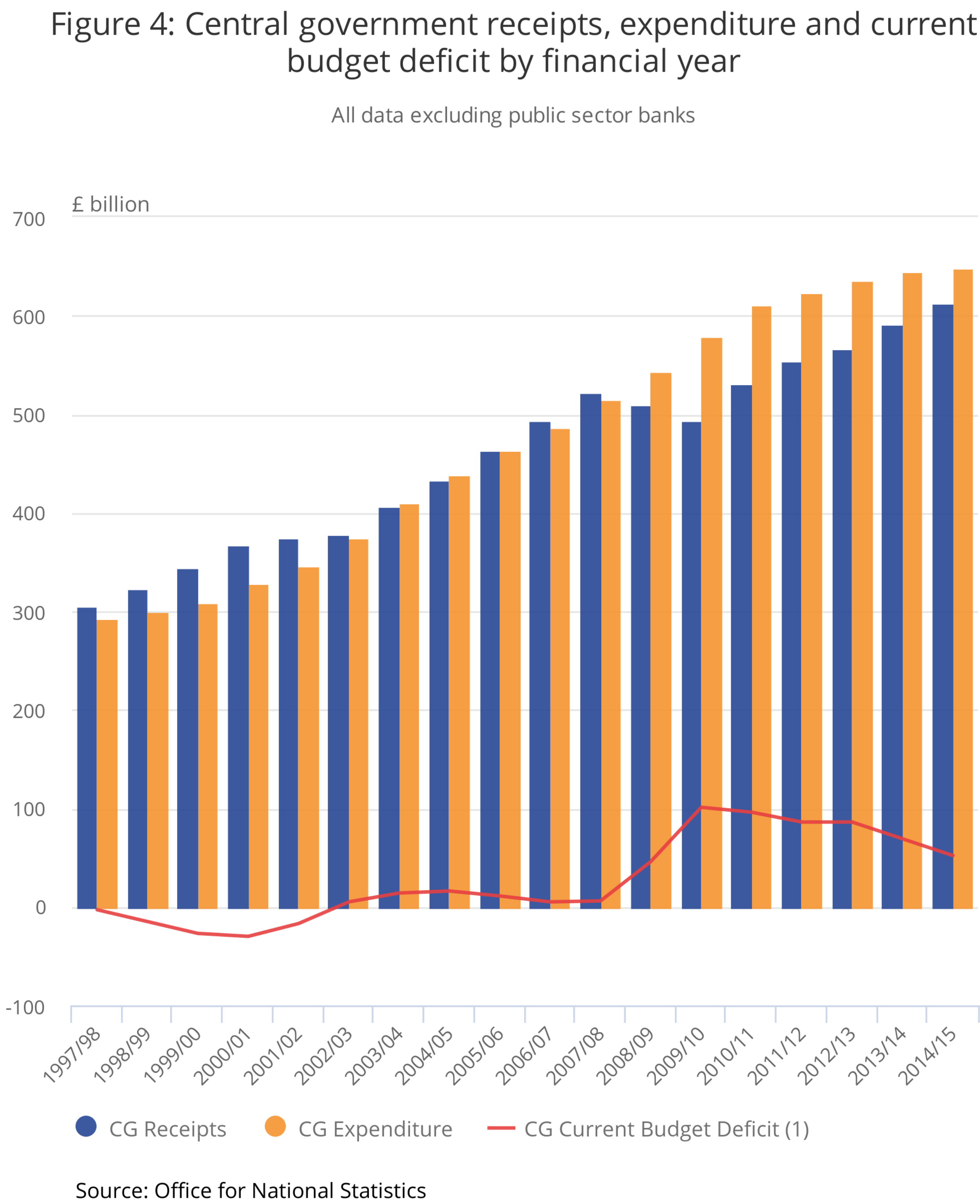
Net debt, for the purposes of UK fiscal policy, is defined as total gross financial liabilities less liquid financial assets, where liquid assets are cash and short-term assets which can be realised for cash at short notice and without significant loss. These liquid assets mainly comprise foreign exchange reserves and bank deposits. The net debt is a cash measure which is priced at nominal value (i.e. the cost to the issuer at redemption) and consolidated (i.e. intra-sector holdings of liabilities/assets are removed).

9 . Central government account

Figure 4 illustrates that the central government current budget deficit has reduced since the financial year ending 2010, but is still larger than before the global financial shock.

Figure 4: Central government receipts, expenditure and current budget deficit by financial year

All data excluding public sector banks



Source: Office for National Statistics

Notes:

1. Current budget deficit is receipts minus expenditure but also includes the effects of depreciation

In March 2015, the central government current budget deficit was £0.8 billion, a decrease of £3.1 billion, or 79.6% compared with March 2014. In recent years the current budget has been in deficit in most months. January and July tend to be surplus months as these are the two months with the highest receipts.

a) Current receipts

As cash receipts are generally accrued back to earlier periods when the economic activity took place, the first monthly estimate for receipts is by nature provisional, and must include a substantial amount of forecast data.

Central government receipts follow a strong cyclical pattern over the year, with high receipts in April, July, October and January due to quarterly corporation tax returns being accrued to these months. January accrued receipts are particularly high due to receipts from quarterly corporation tax combining with those from income tax self-assessment. The revenue raised through income tax self-assessment, as well as affecting January receipts, also tends to lead to high receipts in February and, to a lesser degree, March.

PAYE tends to vary little throughout the financial year on a monthly basis (excluding bonus months).

Dividends from the Bank of England Asset Purchase Facility Fund (APF) increased central government current receipts by £12.2 billion in the financial year ending 2014. In the financial year ending 2013, the current receipts were also increased by dividend payments, in this case £2.3 billion of dividends from the Special Liquidity Scheme (SLS) and a £6.4 billion APF transfer.

The receipt of APF and SLS transfers by central government have no impact on public sector borrowing due to the central government receipts being offset by the payments from the Bank of England.

b) Current expenditure

Trends in central government current expenditure can be affected by monthly changes in debt interest payments which can be volatile as they depend on the monthly path of the Retail Prices Index. It can therefore be informative to consider the total central government current expenditure excluding debt interest payments.

The profile of accrued central government current expenditure excluding debt interest is generally less volatile through the year. However, one regular peak is in net social benefits, which are higher in November than in other months because this is when the winter fuel allowance is paid.

Growth in net social benefits is affected by inflation. Benefits were uprated by 5.2% in the financial year ending 2013 in line with the Consumer Prices Index (CPI). This contrasts with an equivalent figure of 2.2% in the financial year ending 2014 and 2.7% in the financial year ending 2015. Additionally, since the financial year ending 2014 the uprating only applies to benefits received by disabled people and pensioners - benefits for people of working age have only been increased by 1% in these two years.

It is difficult to compare the profile of monthly central government expenditure excluding debt interest and net social benefits since the financial year ending 2014 with earlier years because of a number of changes to central government funding for local authorities (in particular the timing of grants).

In the financial year ending 2012 and earlier years the funds were distributed in multiple, similar sized, payments throughout the year. In the financial year ending 2013, local authorities received almost all their funding from the Department for Communities and Local Government (DCLG) through redistributed business rates, rather than the Revenue Support Grant. In addition, in the financial year ending 2013, as in previous years, the bulk of the Revenue Support Grant was paid in April, with a smaller balance paid in February.

From the start of the financial year ending 2014, local authorities retained half of the business rates they collect, with the remainder redistributed through the Revenue Support Grant. The retained business rates are still classified as a central government tax (see background note on business rates). Furthermore, the Revenue Support Grant in the financial year ending 2014 includes a number of grants that were paid by other departments in the financial year ending 2013, including one to fund council tax benefit localisation. This means that central government current expenditure year-on-year growth for April and February is high while year-on-year growth in other months is generally lower.

c) Net investment

Central government net investment is difficult to predict in terms of its monthly profile as it includes some large capital grants (such as those to local authorities and education institutions), and can include some large capital acquisitions or disposals, all of which vary from year to year. Net investment in the last quarter of the financial year is usually markedly higher than that in the previous three quarters.

Central government net investment includes the direct acquisition minus disposal of capital assets (such as buildings, vehicles, computing infrastructure) by central government. It also includes capital grants to and from the private sector and other parts of the public sector. Capital grants are varied in nature and cover payments made to assist in the acquisition of a capital asset, payments made as a result of the disposal of a capital asset, transfers in ownership of a capital asset and the unreciprocated cancellation of a liability.

10 . Recent events and methodological changes

Eurostar

In March 2015 the UK government announced the sale of its 40% stake in the cross-Channel train operator Eurostar. ONS will consider how and when to record the resulting transactions in due course.

EU contributions

Every year the European Commission (EC) reports retrospective adjustments to the EC budget contributions by EU Member States based on the latest Value Added Tax (VAT) and Gross National Income (GNI) data.

In December the Public Sector Finances recorded £2.9 billion of current expenditure in December 2014 that related to increases in the UK contribution due to revised GNI data over a long historical period (as far back as 2002 for most Member States). The gross liability of £2.9 billion for the UK arose in [December 2014](#) and so has been recorded then even though the cash will not be paid by the UK Government until 2015.

Previous month's bulletins have noted the existence of two transactions which would offset this £2.9 billion:

- a repayment (estimated by OBR as £1.2 billion) as the Commission returns all the Member States' additional contributions related to the data revisions
- an increase in the UK rebate (estimated by the OBR as £0.8 billion) as a result of the UK's additional payment

The rebate is a regular transfer made by the EC to the UK. These transactions are reflected in the Public Sector Finances when they occur (and are recorded as part of "Current transfers received from abroad" in Table PSA6E).

The latest guidance received from Eurostat makes it clear that the £1.2 billion repayment should be recorded in 2014 in the same way that the £2.9 billion payment has been. This has resulted in the December 2014 current expenditure for December being revised down by £1.2 billion to reflect the repayment from the EC to the UK, which is accrued to December 2014 although the cash transactions take place in 2015. This is consistent with the approach taken by the OBR at Autumn Statement 2014.

Of the £1.2 billion repayment, £0.5 billion was received in February 2015, so the accrued impact on borrowing in February 2015 is £0.5 billion higher than the cash impact on the net cash requirement to account for the fact that the £1.2 billion repayment has already been recorded within the net borrowing of December 2014.

More details of these EU budget contributions can be found on the EU Commission website.

Depreciation of the road network

The public sector finances must include estimates for the depreciation (or more strictly the consumption of fixed capital) of all public assets including the road network. The depreciation estimates are calculated using a modelled approach which applies an average life length to each asset category. The life length used for roads has been 75 years, but to harmonise with other European Member States the UK will be reducing this life length to 55 years. The result is to increase the estimated annual depreciation relating to the road network.

This methodological change is being made for the 2015 annual National Accounts publication (Blue Book 2015) and will be made in the Public Sector Finances at the same time. The estimated impact is to increase government depreciation in all years. The approximate impact on the financial year ending 2014 will be £1.1 billion, split roughly evenly between local and central government. This will have no impact on public sector net borrowing but will increase the current budget deficit by around £1.1 billion and decrease the net investment by the same amount.

New VAT rules for electronic services

On 1 January 2015, VAT rules relating to the supply of telecommunications, radio and television broadcasting and electronically supplied services changed.

Prior to 1 January 2015, supplies made by EU businesses to EU resident customers were subject to VAT in the country where the suppliers were established; from 1 January 2015, the supplies will be subject to VAT in the country where the customer is resident. The tax changes are as a result of European legislation.

The legislation provides for a transition period of four years during which the tax authority in the country where the supplier is located can retain a part of the VAT collected prior to passing on the remainder of the collected tax to the country where the customer is resident. From 1 January 2019 all collected tax must be transferred to the tax authority in the appropriate country.

ONS are currently considering how the transferred and retained tax should be treated in the public sector finances and will provide more detail over the coming months.

Government’s shareholding in Lloyds Banking Group

On 17 September 2013, the UK Government began selling part of its share holdings in Lloyds Banking Group (LBG). A further share sale on 23 and 24 March 2014 meant that the UK Government surrendered in total a 13.5% stake in the institution, a quantity sufficient to lead to LBG being re-classified from a public sector body to a private sector body.

On 17 December UK Financial Investments Limited (UKFI) announced its intention to sell part of the Government's shareholding in Lloyds Banking Group (LBG) via a pre-arranged trading plan.

As with previous disposals of shares in LBG the proceeds of these sales will reduce the Central Government Net Cash Requirement (CGNCR) and Public Sector Net Debt (PSND) but have no impact on Public Sector net Borrowing.

While impacts on main aggregates will be recorded each month in the public finances, for reasons of commercial confidentiality these sales will not be included in the 'net acquisition of company securities' series in table PSA7D until after sales period ends. UKFI indicate that this will be no later than 30 June 2015.

Multilateral Development Banks

The UK Government subscribes to a number of international institutions that provide loans for economic and social development activities in developing countries. These institutions are referred to as multilateral development banks; examples are the International Development Agency (IDA), the European Bank for Reconstruction and Development (EBRD) and the African Development Banks (AfDB).

In this month's Public Sector Finances bulletin the treatment of UK Government subscriptions to the IDA has changed to record them as capital transfers (which impact net borrowing) instead of the current treatment as equity injections (which don't impact net borrowing). The impact is to increase net borrowing for all years. It increases net borrowing in the financial year ending 2014 and the financial year ending 2015 by £0.9 billion and £1.1 billion respectively. These impacts are slightly lower than original estimates published in last month's bulletin. For more information see the revisions section.

The change in treatment of the UK IDA subscriptions brings the public sector finances in line with recent international statistical guidance that differentiates between development banks that predominantly offer non-concessionary loans (i.e. loans at market rates) and concessionary loans (i.e. loans at well below market rates). Under this guidance, where a development bank predominantly provides non-concessionary loans then subscription payments should be recorded as equity injections, however if concessionary loans are predominantly provided then the subscription payments should be treated as capital transfers. As the IDA primarily offers concessionary loans the subscription payments are to be recorded as capital transfers.

There are other smaller multilateral development banks offering concessionary loans where the public sector finances currently records the UK subscription payments as equity injections but these will need to be re-recorded as capital transfer. As the full time series of data for these smaller development banks are not currently available this change will not be implemented in the March Public Sector Finances bulletin. The impact when these changes are made is estimated to be no more than £0.5 billion a year and may be considerably less.

Fuller details of the classification decision underlying this change is available on the ONS website.

Northern Rock Asset Management (NRAM) Court Case

In December the High Court ruled that NRAM plc was in breach of its obligations in relation to some customers with unsecured loans. NRAM estimates the potential cost of remediation at £261m and has stated that it will appeal this decision. ONS will consider how and when to record any remediation payments in due course.

Foreign Exchange Trading Fines

A number of UK banks were fined in November 2014 by the Financial Conduct Authority (FCA) for failures in their foreign currency operations. The fines amounted to £1.1 billion and although payments of the fines were spread over November and December the receipts have all been recorded in November when the fine liabilities arose. For this reason other central government receipts in November 2014 are £2.9 billion compared with £1.8 billion in November 2013.

Bank of England Asset Purchase Facility Fund

The Chancellor announced on 9 November 2012 that it had been agreed with the Bank of England to transfer the excess cash in the Asset Purchase Facility Fund (APF) to the Exchequer. The 2013 PSF review consultation (129.2 Kb Pdf) concluded that transactions between the APF and central government net out and have no impact on PSNB ex while the net liabilities of the APF increase PSND ex, which is reflected in this bulletin.

In March 2015, there were no transfers from the Bank of England Asset Purchase Facility Fund to HM Treasury, bringing the financial year ending 2015 to £10.7 billion. The Bank of England entrepreneurial income for the financial year ending 2014 was calculated as £12.8 billion. This is the total amount of dividend transfers that can impact on central government net borrowing in the financial year ending 2015. The next expected transfer will be in April 2015.

In the financial year ending 2013, there were £11.3 billion of transfers from the Asset Purchase Facility to HM Treasury.

In the financial year ending 2014, there were £31.1 billion of transfers from the Asset Purchase Facility to HM Treasury.

In the financial year ending 2015, there have been £10.7 billion of transfers from the Asset Purchase Facility to HM Treasury.

All cash transferred from the Asset Purchase Facility to HM Treasury is fully reflected in central government net cash requirement and net debt. For more detail of transactions relating to the Asset Purchase Facility, see table PSA9.

For further information see Recent Classification Decisions and Economic Events Affecting Public Sector Finances Statistics.

ESA 2010 and the Public Sector Finance Review

In September 2014, the statistics in this bulletin were substantially revised reflecting:

- the move from European System of Accounts (ESA) 1995 to ESA 2010
- Implementation of the new 'ex measures' defined as part of the 2013 Review of Public Sector Finance Statistics

The revisions to the statistics apply to the full time period over which the statistics are reported, in this way year-on-year comparisons (and similar) continue to compare like with like.

The Public Sector Finances comply with international standards set out in the ESA. These standards ensure that economic statistics produced by all EU member states are compiled in a consistent, comparable, and reliable way. The new ESA 2010 standards were adopted by all EU countries in September 2014. More detail can be found in the Transition to ESA10 article published in February 2014 and the Developments to Public Sector Finances article published in June 2014.

The only ESA 2010 change which impacts on public sector net debt is:

- Network Rail reclassification from private sector to central government

The main ESA 2010 changes which impact on public sector net borrowing are:

- Network Rail reclassification from private sector to central government
- recording of 3G and 4G spectra receipts as rent and not the sale of assets
- new treatment of Royal Mail Pension Plan transfer to government; new treatment for the Local Government Pension Scheme

Most of the other ESA 2010 changes impact on revenue or expenditure data but are neutral in terms of public sector net borrowing.

The Review of Public Sector Finance Statistics (969.7 Kb Pdf) proposed improvements to the presentation of the statistics and changes to the fiscal measures of net borrowing and net debt (the so called ‘ex-measures’). The changes to the measures of net borrowing and net debt replace the concept of excluding temporary effects of the global financial shock with that of excluding the debt and borrowing of the public sector banks. The main changes are that:

- the debt and borrowing of the Asset Purchase Facility and Special Liquidity Scheme are now included within PSNB ex and PSND ex
- the government purchase/sale of shares in Lloyds Banking Group and Royal Bank of Scotland are recorded in full in PSND ex at the time of acquisition/disposal and the share assets are no longer treated as liquid assets
- compensation payments made by the Financial Services Compensation Scheme (FSCS) are no longer included in PSND ex as liquid assets

While the accounting practices underlying this bulletin have been revised from an ESA 1995 to an ESA 2010 basis, the series identifiers (often referred to as CDIDs) for each time series remain unchanged.

Public Sector Finances now reports not only against the UK fiscal measures but also against the European fiscal measures of Maastricht deficit and debt. The Maastricht measures are based on the general government sector rather than the wider public sector used in UK fiscal monitoring. Previously it was not straightforward to report Maastricht debt and deficit on a monthly basis, however, with the introduction of ESA 2010 there have been some minor changes to the Maastricht debt and deficit definitions which has brought them into line with the definitions of debt and deficit (net borrowing) used in the UK public sector finances. The Maastricht debt and deficit are now reported on the front page of the bulletin with time series available in tables PSA8A and PSA2 respectively.

ONS published the latest EU Government Deficit and Debt Return on 16 January 2015.

An update on progress against PSF Review

In February 2014 ONS published the [2013 Review of Public Sector Finance Statistics: Consultation Response (129.2 Kb Pdf)] . In this article we provided a timetable to measure our progress in the implementation of the proposed changes to the presentation of public sector finance. In May 2015, ONS plan to publish an update, informing users of our progress against this publication.

11 . How provisional outturn progress to final outturn

This bulletin contains the provisional estimate of public sector borrowing for the the financial year ending 2015. This may be revised in later months as provisional data sources are replaced with more final data sources.

In publishing monthly estimates, it is necessary that a range of different types of data sources are used. This section provides a summary of the different sources used and the implications that has for data revisions.

Where appropriate, estimates produced in April for the previous financial year take account of the degree of likely under-spend from public sector bodies. The estimates for the financial year use provisional outturn data from some Departments and budget forecasts from other Departments. In order to provide as accurate a picture as possible for the full financial year, the difference between budget forecast and provisional outturn may be used to provide an estimate of likely under-spend for bodies who have only supplied budget forecast data. Similarly on the income side accrued tax receipts are subject to change as forecasts used in the accrual methodologies are replace by outturn. This happens every year as a standard part of the methodology for minimising future revisions.

Latest month

Central Government: departmental expenditure data are provisional outturns for the most recent month and in some cases data are based on budget estimates (forecasts). Adjustments are made to these forecasts for some departments to account for likely under or over spending. For central government income, the data are again a mixture of provisional outturn data and forecasts.

Local Government: while some income data are available monthly, the majority of expenditure and income data are based on previously forecasted levels from the most recent quarter. There is an adjustment based on data from previous periods to account for likely under or over spending.

All data for public corporations for the latest month are based on ONS forecasts.

Earlier months

Central Government: for the 2-3 months before the latest month a mixture of outturn data and budget estimates (forecasts) are used but it increasingly becomes outturn.

Local Government: since the financial year ending 2012, for English Local Authorities, data from the Quarterly Revenue Outturn and Quarterly Capital Payments and Receipts forms collected by the Department of Communities and Local Government (DCLG) have been used to provide provisional outturn figures. These figures are included within the public sector finance statistics around 3-4 months after the end of the quarter.

For Local Authorities outside of England and all local authorities before the financial year ending 2012, in year expenditure data were based on the expected level of spending from Local Authority forecasts. This included estimates of likely under or over spending. However, quarterly data was used for capital expenditure in England.

Public Corporations: ONS conducts a quarterly survey of the eight largest public corporations. These figures are used around 3-4 months after the end of the quarter. Data for the remaining public corporations are based on ONS estimates until the audited accounts are available.

Audited accounts

May to June	Most central government departments submit to Parliament their audited accounts and Trust Statements for the previous financial year	Audited data is generally taken on in the September PSF bulletin; this may lead to revisions
February	Final audited data for all central government bodies, including the devolved administrations are generally available	Replacing provisional data with final audited data may lead to revisions
July to February	Audited data for local authority accounts and public corporations are obtained.	Replacing provisional data with final audited data may lead to revisions

Even after all audited data for the public sector are available, there may still be revisions to reflect for example the implementation of classification decisions and other methodological changes.

Assessing the end year position

The implication is that the earliest estimates of outturn for the financial year ending 2015 will be subject to revision as revised data are provided to the ONS by data suppliers. Depending upon the timing of the updated data from suppliers, this means that some months the revised estimates can be higher than the initial estimate and some months lower.

12 . Revisions since previous bulletin

In publishing monthly estimates, it is necessary that a range of different types of data sources are used. A summary of the different sources used and the implications this has for data revisions is provided in the document Sources summary and their timing (22.8 Kb Pdf) . More detail of the methodology and sources employed can be found in the Public Sector Finances Methodological Guide (360.3 Kb Pdf) .

Borrowing

Table 4 summarises revisions between the data contained in this bulletin and the previous publication. The causes of revisions impacting on all measures of net borrowing are outlined below

This month bulletin reports revisions to public sector net borrowing (excluding public sector banks) (PSNB ex) are largely limited to the financial year-to-date ending 2015

Public Sector borrowing (excluding public sector banks)

Over the financial year-to-date ending 2015 (April 2014 to February 2015), PSNB ex was revised down by £1.9 billion, largely as a result of £1.3 billion downward revisions to central government borrowing, along with a of £0.6 billion downward revisions to local government borrowing

Central government borrowing

Over the financial year-to-date ending 2015 central government net borrowing (CGNB) has been revised down by £1.3 billion

Upward revisions to VAT, income tax and social contributions (national insurance) of £0.8 billion, £0.3 billion and £0.4 billion respectively, were partially offset by downward revisions to corporation tax of £0.1 billion

Current expenditure was revised upward by £0.3 billion, mainly as a result of upward revisions to departmental data of £0.5 billion, being partially offset by a downward revision of £0.1 billion to debt interest payments

This £1.4 billion increase in current receipts combined with a £0.3 billion increase in current expenditure, has lead to a £1.1 billion decrease in current budget deficit

The £1.1 billion decrease in current budget deficit combined with a decrease of £0.2 billion in net investment, resulted in a £1.3 billion decrease to the estimate of net borrowing over the financial year-to-date ending 2015

Local government borrowing

Local government net borrowing (LGNB) over the financial year-to-date ending 2015 has been revised downward by £0.6 billion due mainly to changes to current grants from central government

Public corporations borrowing

Public corporation net borrowing (PCNB) over the financial year-to-date ending 2015 have undergone no substantial revisions since the last publication

Table 4: Revisions between this bulletin and the previous bulletin

Previous bulletin refers to the PSF bulletin published on 20 March 2015, United Kingdom

£ billion[1] (not seasonally adjusted)

Period	Net Borrowing					Net Debt		PSNCR ex 9
	CG 2	LG 3	NFPCs 4	BoE 5	PSNB ex 6	PSND ex 7	PSND % of GDP 8	
2010/11	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2011/12	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2012/13	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2013/14	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2014/15 ytd[10]	-1.3	-0.6	0.0	0.0	-1.9	-0.1	0.2	-0.1
2014 April	-0.1	-0.1	0.0	0.0	-0.2	0.0	0.0	0.0
2014 May	-0.1	0.0	0.0	0.0	-0.1	0.0	0.1	0.0
2014 June	-0.1	-0.1	0.0	0.0	-0.2	0.0	0.1	0.0
2014 July	0.2	0.0	0.0	0.0	0.2	0.0	0.2	0.0
2014 August	0.1	0.0	0.0	0.0	0.1	0.1	0.2	0.0
2014 September	0.2	-0.1	0.0	0.0	0.2	0.0	0.3	-0.1
2014 October	0.1	0.2	0.0	0.0	0.3	0.0	0.2	0.1
2014 November	0.3	0.0	0.0	0.0	0.2	-0.1	0.3	0.1
2014 December	0.1	0.0	0.0	0.0	0.1	0.0	0.3	0.1
2015 January	-0.4	-0.6	0.0	0.0	-1.1	-0.1	0.3	-0.1
2015 February	-1.5	0.1	0.0	0.0	-1.4	-0.1	0.2	-0.2

Source: Office for National Statistics

Notes:

1. Unless otherwise stated
2. Central Government
3. Local Government
4. Non-Financial public corporations
5. Bank of England
6. Public sector net borrowing excluding public sector banks
7. Public sector net debt excluding public sector banks
8. GDP = Gross Domestic Product
9. Public sector cash requirement excluding public sector banks
10. ytd- Year-to-date

To provide users with an insight into the drivers of the historical revisions between publications, this bulletin presents three revisions tables

- table PSA1R complements PSA1 and provides a revisions summary (between the current and previous publication) to headline statistics in this release

- table PSA2R complements PSA2 and provides the revisions (between the current and previous publication) to net borrowing by sector

- table PSA6R complements PSA6B and provides the revisions (between the current and previous publication) to the components of central government net borrowing

Tables PSA1R and PSA6R are published in excel format only in appendix A to this release.

In addition, appendix D to this bulletin presents a statistical analysis on several key components of the central government account (current receipts, current expenditure, net borrowing and net cash requirement) to determine whether their average revisions are statistically significant.

Public sector fiscal statistics expressed as ratios of Gross Domestic Product (GDP)

This publication presents a number of public sector fiscal statistics as ratios of the UK Gross Domestic Product (GDP)At this point in time, the provisional full financial year outturn for current budget deficit, net investment and net borrowing are available but only three of the four quarterly GDP estimates are published. Until GDP for Quarter 1 2015 is published in the quarterly national accounts on 30 June 2015, an estimate of GDP based on published Office for Budget Responsibility (OBR) data will be used. Aggregates as a percentage of GDP should therefore be treated with caution until the Quarter 1, Quarterly National Accounts estimate of GDP is incorporated into the July 2015 PSF publication.

An article, The use of GDP in fiscal ratio statistics (70.8 Kb Pdf) , explaining the procedure for deriving GDP forecasts for periods when National Accounts outturn GDP is available on the ONS website.

13 . New for the bulletin

The reconciliation of net cash requirement to debt

The issues and subsequent revisions to CGNCR reported in October were identified through work undertaken to reconcile the three different fiscal measures (i.e. net cash requirement, net borrowing and net debt) and to reconcile the central government net cash requirement with cash reported in audited resource accounts.

ONS are currently building these reconciliation processes into the monthly production systems. The first of these new reconciliation's, table REC3 (59.5 Kb Excel sheet) (Appendix C) , attempts to reconcile central government net cash requirement and net debt. This table should be considered as work-in-progress, to be refined further in the coming months. Table REC3 is not designated a National Statistic at this time.

Public Sector Finance summary

In October 2014, ONS introduced a supplementary release summarising the latest public sector finance. The latest available versions is Public Sector Finances March 2015. This will be a regular product released each month in conjunction with the public sector finance statistical bulletin.

ESA 2010 Impact tables

The 2013 PSF Review recommended that following implementation of the new ex measures, the key fiscal measures on the previous ex measures basis should continue to be published up until the end of the financial year ending 2015 so as to help users manage the transition period.

Table 5 provides estimates of what the current budget, net investment, net borrowing and net debt fiscal aggregates would have been if the ESA 2010 and 2013 PSF Review methodological changes had not been implemented.

Data changes and non-ESA 2010 / non-2013 PSF Review methodology changes are included within the estimates in Table 5.

Table 5: Estimated Key Aggregates on an ESA95 basis and without PSF Review Changes

£ billion

	Excluding the effects of temporary financial interventions					Including the effects of temporary financial interventions			
	PSCBD[1]	PSNI[2]	PSNB[3]	PSNB[3] ex RM[5] & APF[6]	PSND[4]	PSCBD[1]	PSNI[2]	PSNB[3]	PSND[4]
2007/08	10.6	28.4	38.9	38.9	538.6	10.4	28.4	38.8	633.0
2008/09	53.6	45.1	98.7	98.7	633.5	39.9	36.1	76.0	2111.2
2009/10	111.2	46.2	157.4	157.4	830.2	87.6	41.3	128.9	2222.0
2010/11	102.9	36.8	139.7	139.7	1005.8	76.6	36.5	113.2	2236.9
2011/12	91.1	28.1	119.2	119.2	1106.7	63.1	28.6	91.7	2157.8
2012/13	87.5	-6.4	81.1	115.6	1185.8	72.0	-6.3	65.7	2181.9
2013/14	72.3	22.0	94.2	106.4	1273.5	63.1	22.0	85.0	1942.5
2014/15	60.5	26.1	86.6	97.3	1329.2	51.1	26.0	77.1	1764.1
Apr 2014	5.6	0.7	6.3	10.4	1270.9	8.0	0.7	8.7	1857.0
May	12.0	0.9	13.0	13.0	1283.4	10.3	0.9	11.3	1782.4
Jun	9.7	1.2	10.9	10.9	1304.0	8.0	1.2	9.2	1713.3
Jul	-1.1	1.5	0.4	0.9	1299.0	-2.2	1.5	-0.7	1708.5
Aug	10.2	1.3	11.5	11.5	1303.0	8.5	1.3	9.8	1712.5
Sep	9.6	1.8	11.4	11.4	1324.2	7.9	1.8	9.8	1729.6
Oct	1.7	2.0	3.7	7.8	1320.6	4.1	2.0	6.1	1731.9
Nov	11.6	2.0	13.6	13.6	1328.8	9.9	2.0	11.9	1740.4
Dec	9.0	3.3	12.2	12.2	1357.9	7.3	3.2	10.6	1765.4
Jan 2015	-13.5	3.1	-10.4	-8.3	1336.5	-13.1	3.0	-10.1	1746.2
Feb	3.0	2.8	5.8	5.8	1338.4	1.3	2.8	4.2	1748.2
Mar	2.6	5.5	8.1	8.1	1357.8	0.9	5.5	6.4	1764.1

Notes:

1. Public Sector Current Budget Deficit

2. Public Sector Net Investment

3. Public Sector Net Borrowing

4. Public Sector Net Debt

5. Royal Mail Pension Plan

6. Bank of England Asset Purchase Facility

14 . List of tables in this bulletin

Public Sector Finances Tables

- PSA1 Public Sector Summary
- PSA2 Public Sector Net Borrowing: by sector
- PSA3 Public Sector Current Budget Deficit, Net Borrowing and Net Cash Requirement (excluding public sector banks)
- PSA4 Public Sector Net Debt (excluding public sector banks)
- PSA5A Long Run of Fiscal Indicators as a percentage of GDP on a financial year basis
- PSA5B Long Run of Fiscal Indicators as a percentage of GDP on a quarterly basis*
- PSA6A Net Borrowing : month and year-to-date comparisons
- PSA6B Central Government Account: overview
- PSA6C Central Government Account: Total Revenue,Total Expenditure and Net Borrowing
- PSA6D Central Government Account: Current Receipts
- PSA6E Central Government Account: Current Expenditure
- PSA6F Central Government Account: Net Investment
- PSA6G Local Government Account: Overview*
- PSA6H Local Government Account: Total Revenue, Total Expenditure and Net Borrowing*
- PSA6I Local Government Account: Current Receipts*
- PSA6J Local Government Account: Current Expenditure*
- PSA6K Local Government Account: Net Investment*
- REC1 Reconciliation of Public Sector Net Borrowing and Net Cash Requirement (excluding banking groups)
- REC2 Reconciliation of Central Government Net Borrowing and Net Cash Requirement
- PSA7A Public Sector Net Cash Requirement
- PSA7B Public Sector Net Cash Requirement*
- PSA7C Central Government Net Cash Requirement
- PSA7D Central Government Net Cash Requirement on own account (receipts and outlays on a cash basis)
- PSA8A General Government Consolidated Gross Debt nominal values at end of period
- PSA8B Public Sector Consolidated Gross Debt nominal values at end of period
- PSA8C General Government Net Debt nominal values at end of period

- PSA8D Public Sector Net Debt nominal values at end of period
- PSA9 Bank of England Asset Purchase Facility Fund (APF)
- PSA10 Public Sector transactions by subsector and economic category
- PSA1R Public sector statistics: Revisions since last publication*
- PSA2R Public Sector Net Borrowing: by sector; Revisions since last publication
- PSA6R Central Government Account: overview; Revisions since last publication*
- These tables are published in Excel format only
- Appendices – Data in this release
- Appendix A Public Sector Finances tables 1-10
- Appendix B Large impacts on public sector fiscal measures excluding financial intervention (one off events)
- Appendix C Table REC3 - Reconciliation of Central Government Net Cash Requirement and Net Debt. This table should be considered as work-in-progress, to be refined further in the coming months. Table REC3 is not designated a National Statistic at this time
- Appendix D Revisions Analysis on several key components of the central government account (current receipts, current expenditure, net borrowing and net cash requirement)

15. Background notes

1. **Data quality**

   A summary quality (201.4 Kb Pdf) report for the public sector finances is available on the ONS website. This report describes in detail the intended uses of the statistics presented in this publication, their general quality and the methods used to produce them.

2. An overview note on the data sources used within public sector finances and the quality assurance processes that are undertaken in compiling the statistical release was published on the ONS website on 19 October 2012.

3. **Definitions**

   A methodology guide (360.3 Kb Pdf) to monthly public sector finance statistics is available on the ONS website. It explains the concepts and measurement of the monthly data, plus those previously published, and gives some long runs of historical data. The following background notes provide further information regarding the monthly data.

4. **Range of measures published**

   In this bulletin we publish the headline measures of borrowing and debt (PSNB ex and PSND ex) in tables as well as the wider measures of borrowing and debt that include public sectors banks.

5. Since 1997, it has been an essential feature of the UK Public Sector Finances' fiscal measures that they are based on National Accounts and European Government Finance Statistics concepts. It is important that these fiscal measures continue to be aligned with these international standards to ensure a high degree of comparability between domestic and international measures and because the Government bases its fiscal policy on these aligned measures.

6. **Coherence**

   EU Council Directive 2011/85/EU (part of the enhanced EU economic governance package regulations known as the "six pack") includes statistical requirements for government finance statistics relating to the monthly publication of statistics and annual publication of specific contingent liabilities and other potential liabilities. Tables PSA6C and PSA6H were introduced in 2014 into the PSF bulletin in order to fully comply with the monthly government finance statistics requirements.

On 22 December 2014, ONS published for the first time the required information on government contingent liabilities and other potential liabilities. These figures will be reported for this first year as experimental statistics while further work is carried out to establish data sources for these statistics.

7. The Public Sector Finances (PSF) has a more flexible revisions policy than other National Accounts data. Therefore, PSF data may be inconsistent with the published GDP and Sector and Financial Accounts datasets because a revision may not be incorporated into the main National Accounts dataset until a later date. In Blue Book 2013, a process of alignment took place between National Accounts and Public Sector Finances. This significantly reduced the historic differences between National Accounts and Public Sector Finances. For more details of the alignment work and the existing differences between Public Sector Finances and National Accounts see the ONS article on the subject.

8. General government net borrowing reported in this bulletin forms the basis of the reports of Government Debt and Deficit under the Maastricht Treaty. This was most recently reported on 16 January 2015. The next bulletin will be published in 17 April 2015.

9. The definition of general government net borrowing to be reported for the European Excessive Deficit Procedure (EDP) is slightly different to that used for National Accounts.

   The bulletin on General Government Debt and Deficit under the Maastricht Treaty includes a table which reconciles the EDP defined general government net borrowing and that published here in the Public Sector Finances Statistical Bulletin.

10. Tax receipts data published in this bulletin are presented in terms of broad tax categories (e.g. Income Tax, VAT). For more detail on individual taxes users can go to the HM Revenue & Customs website and access a monthly publication which provides cash tax receipts data which are entirely consistent with the data published in Table PSF5A and B of the bulletin.

11. **OSCAR** - Online System for Central Accounting and Reporting

    In June 2010, HM Treasury published as part of the Government transparency agenda, raw data from the COINS database (the predecessor to OSCAR) for the years 2005/06 to 2009/10. From September 2012 onwards the data releases have been made from OSCAR – the new accounting system. The latest in-year quarterly data were released on 20 March 2015 and the latest annual data was released on 21 October 2014. The data are accessible from HM Treasury's website.

12. **Accuracy**

    Central government departmental expenditure data are subject to various validation processes and improve over time. They go through four main stages:

    - Stage 1 – Initially, they are estimated using in-year reported data;
    - Stage 2 – In the July following the completion of the financial year, departments update their full financial year estimates (but with no in-year profile), for publication in the Treasury's Public Spending National Statistics annual publication. These estimates will be in line with the audited resource accounts for most departments;
    - Stage 3 – For the autumn update of the Treasury's Public Spending National Statistics these financial year estimates are updated;
    - Stage 4 – In March the following year the winter update of the Treasury's Public Spending National Statistics is published and the financial year estimates are further improved. All departments' and devolved administrations' accounts will have been audited and finalised by this stage. These revisions are not normally included in the Public Sector Finances statistical bulletin until the September release.

    Data up to and including 2012/13 are at Stage 4 while data for 2013/14 are currently at Stage 2 and data for 2014/15 are at Stage 1.

13. The local government data for the financial year ending 2011, 2012 and 2013 for local authorities are based on final outturns for receipts and expenditure. Data for 2013/14 are mainly based on final outturns (provisional outturns have been used for Scotland). Estimates for the financial year ending 2015 are based on a combination of in-year returns and forecast data. These are subject to revision when outturn data become available.

14. **Revisions**

    Currently data for the public sector banking groups are only available for periods up to June 2014. Values for months from July 2014 onwards are ONS estimates. Consequently these, and the aggregates which include the impacts of financial interventions, may be revised substantially when actual data becomes available

15. One indication of the reliability of the key indicators in this bulletin can be obtained by monitoring the size of revisions. A statistical test is applied to the average revision to determine whether it is statistically significantly different from zero. A spreadsheet giving these estimates and the calculations behind the averages in the tables is available as appendix D to this statistical bulletin.

    The table, focusing on the central government account (current receipts, current expenditure, net borrowing and net cash requirement), summarises the size and direction of revisions from first publication to one year later. The average of five years worth of such revisions is shown; for example – from those first published in January 2008 (for December 2008 to January 2014) first estimates. Please note that these indicators only report summary measures for revisions, the revised data may still be subject to measurement error.

16. **National Non-Domestic Rates (business rates).** In the financial year 2013/14 there was a change in the way national non-domestic rates were collected and re-distributed to local government. However, because the transactions take place between central and local government the impact on the overall public sector finances was, and will continue to be neutral.

    The profile of the payments from central government to local government was previously relatively stable across the financial year. Under the new method some of the money is now transferred at the beginning and end of the financial year.

17. A further development which is expected to reduce the size of local government data revisions and improve the reliability of in-year local government data is the introduction of the Quarterly Revenue Outturn data collection by the Department for Communities and Local Government. These data, first collected during 2011/12, provide quarterly updates for the main aspects of local government accrued current expenditure. The Public Sector Finances bulletin has used these data in its estimates of in-year local government net borrowing since January 2012.

18. **Publication policy**

    A brief paper (87.7 Kb Pdf) explaining the roles and responsibilities of ONS and HM Treasury when producing and publishing the public sector finances statistical release is on the ONS website.

19. A note (81 Kb Pdf) on the main uses and users of the public sector finances statistics was published on the ONS website on 21 September 2012.

20. Recommendations for the improvement of the Public Sector Finances Statistical Bulletin may be emailed to psa@ons.gsi.gov.uk

21. Special arrangements apply to the Public Sector Finances, which is produced jointly with HM Treasury. A list of ministers and officials with pre-publication access to the contents of this bulletin is available on request. In addition some members of the Treasury's Fiscal Statistics and Policy (FSP) team will have access to them at all stages, because they are involved in the compilation or quality assurance of data, and some members of the Treasury's Communications team will see the bulletin, but only within the 24 hour pre-release period, because they place these data on the website.

22. The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

23. Designation can be broadly interpreted to mean that the statistics:

- meet identified user needs;
- are well explained and readily accessible;
- are produced according to sound methods; and
- are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed

24. Public sector finance data series previously published in Financial Statistics are made available for download on the Public Sector Finances web page. Tables 1.2A, 1.3A and 1.4A which are updated monthly will continue to be available monthly, published concurrently with the PSF Supplementary data, while Tables 1.3B, 1.3C and 1.3D will be available quarterly.

25. **Following ONS**

    As part of our continuous engagement strategy, comments are welcomed on ways in which the Public Sector Finances Statistical Bulletin might be improved. Please email: psa@ons.gsi.gov.uk

26. Follow ONS on Twitter and Facebook

27. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk